



Fixed Asset Capitalization Policy
ADOPTED DATE 9/26/2019
REVISED DATE
REVIEW DATE 4/29/2022
REVISION # 0.0

LIBRARY POLICY

Fixed Asset Capitalization Policy

PURPOSE

To ensure compliance with various accounting and financial reporting standards regarding capitalizing assets.

POLICY

Capital assets are major assets that benefit more than a single accounting period. They include: land, land improvements, buildings, building improvements, construction in progress, equipment and furniture.

A capital asset is to be reported and, with some exceptions, depreciated in the government-wide financial statements. Assets that are not capitalized are expensed in the year of acquisition.

Capital Asset Categories

For purposes of this policy, the Frankfort Public Library District will use the following capital asset categories:

- Buildings
- Building Improvements
- Furniture and Equipment
- Computers and Electronics

Capitalization Threshold

The Frankfort Public Library District will capitalize all assets that have a useful life greater than one year and meet the following dollar thresholds:

Asset Category	Threshold
Buildings	\$ 25,000.00
Building Improvements	\$ 25,000.00
Furniture and Equipment	\$ 5,000.00
Computers and Electronics	\$ 5,000.00

Asset improvement costs over the appropriate asset category threshold will be capitalized if:

- The estimated life of the asset is extended by more than 25%, or
- The cost results in an increase in the capacity of the asset, or
- Significantly changes the asset.

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Recording Capital Assets

All assets that meet the above definitions and thresholds will be recorded at historical cost or estimated historical cost. In the case of a donated asset, it shall be recorded at the estimated fair value at the time of acquisition. The following parameters further refine the recording of capital assets:

- Buildings - Recorded at historical cost and depreciated. Cost should include architectural and engineering fees, permits, etc. as well as actual construction cost.
- Building Improvements - Recorded at historical cost and depreciated if they have an expected life span. If not, they are not depreciated.
- Furniture / Computers / Electronics / Equipment- Recorded at historical cost and depreciated. Cost should include purchase price as well as any charges related to acquiring the asset such as freight and getting it ready for operation.

An inventory record will be maintained on each capital asset that will include, depending on the type of asset, the following information:

- Description
- Type of asset
- Acquisition Date
- Useful Life
- Acquisition Cost
- Date, method, and authorization of disposal

Estimated Useful Lives

Estimated useful life means the estimated number of years that an asset will be able to be used for the purpose for which it was purchased. Estimated useful lives for the category of assets identified in this policy are as follows:

- Buildings 40 years
- Building Improvements 15 years
- Furniture and Equipment 10 years
- Computers and Electronics 5 years

Depreciation

Assets subject to depreciation will be depreciated using a straight-line method. The cost of the asset will be written off evenly over the useful life of the asset. For purposes of depreciation, 1/2 of the annual depreciation will be recorded in the year of purchase and 1/2 in the final years of depreciation.

Exceptions

This policy is intended to address those capital assets that must be tracked for external financial reporting purposes. There are other assets that do not need to be included in the external financial reports due to their relatively low value.